

Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 IO-14 ISO-00 AGRE-00 CEA-01 CIAE-00

COME-00 DODE-00 FRB-01 H-02 INR-10 INT-05 L-03

LAB-04 NSAE-00 NSC-05 PA-02 CTME-00 AID-05 SS-15

STR-07 ITC-01 TRSE-00 ICA-20 SP-02 SOE-02 OMB-01

DOE-15 AF-10 ARA-14 EA-12 NEA-10 OIC-02 /184 W

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R 052216Z APR 78

FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC 6926

INFO USMISSION GENEVA

UNCLAS OTTAWA 01707

USMTN AND ALSO USMISSION

E.O. 11652: N/A

TAGS: ETRD, GATT, CA

SUBJECT: CANADIAN EXPORT RESTRICTIONS ON ORES AND MINERALS

REF: STATE 68011

1. ACCORDING TO NEW BRUNSWICK MINING INCOME TAX ACT, LIEUTENANT-GOVERNOR IN COUNCIL MAY ORDER THAT AMOUNT OF TAXES PAYABLE BY MINE OPERATOR BE INCREASED UP TO THREE TIMES THE AMOUNT OF NORMAL MINING TAX (TWO PERCENT OF NET REVENUE PLUS SIXTEEN PERCENT OF NET PROFITS IN EXCESS OF ONE HUNDRED THOUSAND DOLLARS, LESS AUTHORIZED TAX CREDITS).

2. ACCORDING TO QUEBEC MINING DUTIES ACT, LIEUTENANT-GOVERNOR IN COUNCIL MAY REQUIRE PAYMENT OF ADDITIONAL DUTIES NOT EXCEEDING TWICE THE AMOUNT OF REGULAR DUTIES WHERE MINERAL SUBSTANCES FROM MINES IN QUEBEC ARE SHIPPED OUTSIDE QUEBEC WITHOUT PRIOR AUTHORIZATION. EVERY MINE IN QUEBEC IS SUBJECT TO MINING TAX AND OPERATOR MUST PAY THE TAX BASED ON ANNUAL PROFITS. THE FIRST 150,000 DOLLARS
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OF MINING INCOME IS EXEMPT. THERE ARE NO OTHER EXEMPTIONS. ANNUAL PROFITS FROM MINING ARE SUBJECT TO FOLLOWING RATES:
15 PERCENT OF PROFIT NOT EXCEEDING 3 MILLION DOLLARS;
20 PERCENT OF PROFIT EXCEEDING 3 MILLION DOLLARS BUT NOT EXCEEDING 10 MILLION DOLLARS; 25 PERCENT OF PROFIT EXCEEDING 10 MILLION DOLLARS BUT NOT EXCEEDING 20 MILLION DOLLARS; 30 PERCENT OF PROFIT EXCEEDING 20 MILLION DOLLARS.

3. SINCE THE TWO PROVINCIAL TAXES ARE PROFIT BASED, IT IS NOT POSSIBLE TO DETERMINE RATES OF THE TWO TAXES AS REQUESTED REFTEL.

4. REFTEL INDICATES U.S. IS CONCERNED ABOUT DISCRIMINATORY TAXES "ASSESSED" BY THESE TWO PROVINCES ON MINE OPERATORS WHO SHIP ORES AND MINERALS OUTSIDE THE PROVINCE FOR UNCLASSIFIED

REFINING. HOWEVER, ACCORDING E.C. HODGSON, DIRECTOR, MINING INDUSTRY FINANCIAL AND CORPORATE ANALYSIS DIVISION, MINERAL POLICY SECTOR, DEPARTMENT OF ENERGY, MINES AND RESOURCES, THE PENALTIES FOR PROCESSING OUTSIDE PROVINCE HAVE NEVER BEEN INVOKED AND THERE IS NO LIKELIHOOD THEY WILL BE AS THERE IS DOUBT THE PROVISIONS FOR PENALTIES COULD BE APPLIED LEGALLY AS TAXES WOULD BE EQUIVALENT OF AN EXPORT TAX WHICH PROVINCES ARE NOT PERMITTED TO LEVY.

5. COPIES OF NEW BRUNSWICK MINING INCOME TAX ACT AND QUEBEC MINING DUTIES ACT CONTAINING REGULATIONS PERTINENT TO TAX ON PROCESSING OUTSIDE PROVINCE BEING FORWARDED BY AIRGRAM TO DEPARTMENT. DUEMLING

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